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CIFSC Announces Outcome of Balanced Category Revision Proposal Consultation

The Canadian Investment Funds Standards Committee (CIFSC) continuously monitors fund categorization, category definitions and structure, and emerging trends in the investment funds industry. The purpose of this review is to ensure the logical and consistent categorization of investment funds and maximize the similarity of investment strategies and risk–return profiles within each category. Categories should include a sufficient number of funds to support meaningful comparisons and rankings.

As part of this ongoing review, the CIFSC published, for a 120-day comment period ending January 31, 2026, the following proposed changes to the Canadian and Global Balanced categories:

- Increasing the number of balanced categories from 3 to 4
- Redefining the equity ranges for all balanced categories
- Renaming all balanced categories

The CIFSC further proposed the following changes to the classification of alternative assets:

- Reclassifying private equity and private credit from “Other” to “Equity” and “Fixed Income”, respectively
- Identifying infrastructure and digital assets as distinct asset types under “Other”
- Classifying derivatives by their underlying asset type and economic exposure

Following the close of the comment period, the Committee reviewed feedback received from industry stakeholders, including asset managers, dealers, and industry associations. While stakeholders expressed support for certain elements of the proposal—particularly narrower equity bands, increased category granularity, and the adoption of more coherent threshold rules—they also raised a number of important considerations regarding methodology, data availability, threshold design, and implementation.

After careful consideration of this feedback, the Committee has determined that it will not proceed with the proposal at this time.

This decision reflects several factors identified through consultation, including challenges related to data availability and consistency, questions regarding threshold design, and the operational and implementation burden associated with the proposed changes. While the Committee believes that the objectives of the proposal—improving comparability, reducing sensitivity to key thresholds, and better reflecting the use of alternative assets—remain valid, further work is required to ensure the framework can be implemented in a robust, consistent, and practical manner.

The Committee will take the feedback received under this consultation into account and revisit the balanced category framework through further analysis and industry engagement. As part of this process, the classification of alternative assets will be considered separately, while the proposed approach to derivatives will not be advanced at this time. The Committee will also reassess the balanced category structure in light of the issues raised.

Consistent with CIFSC’s process, any future changes will be developed in consultation with industry stakeholders and clearly communicated in advance of implementation.

Consultation and Feedback

1. Equity Threshold Design, Monitoring, and Clustering

Feedback:

Many stakeholders noted that while the proposal aimed to move thresholds away from key asset allocation levels (e.g., 40% and 60%), similar clustering effects may persist under the proposed framework at the new allocation levels (e.g., 45% and 65%). In addition, concerns were raised that the proposed 25% threshold corresponds to a commonly used asset allocation level in the Canadian balanced category universe, potentially recreating the same issue the proposal sought to address.

Stakeholders expressed support for moving toward more clearly defined, consistently applied threshold rules and reducing reliance on discretionary classification practices. Narrower equity bands and increased category granularity were also viewed as improvements for peer group comparability.

Committee Response:

The Committee acknowledges that threshold placement is a critical element of the framework and that stakeholder feedback has highlighted the need for further analysis of asset allocation clustering across the balanced fund universe, including concerns regarding the proposed 25% threshold. The Committee agrees that reducing discretionary practices and moving toward a more rules-based framework is an important objective; however, a more appropriate threshold design is needed to achieve this in practice.

The Committee further agrees that adjustments to threshold placement require additional quantitative analysis and industry consultation to ensure that categories are both meaningful and stable over time. This work will form a key component of any future proposal.

2. Derivatives – Economic Exposure and Methodology

Feedback:

Stakeholders acknowledged the intent of aligning derivative classification with the underlying asset class and economic exposure of the instrument. However, significant concerns were raised regarding the practical implementation of this approach. In particular, they noted that economic exposure is not consistently measurable across all derivative types, that methodologies for calculating exposure are not standardized, and that differences in how economic exposure is calculated—particularly for more complex instruments such as options—may result in inconsistent classification outcomes.

Committee Response:

The Committee acknowledges that while classifying derivatives based on underlying asset class and economic exposure is conceptually appropriate, the practical challenges associated with measuring economic exposure across a wide range of instruments limit its current applicability, and this element of the proposal will not be advanced at this time. The Committee agrees that further work is required to better understand derivative use cases and develop more clearly defined methodologies before such an approach can be implemented.

The Committee encourages the investment fund industry to work toward more consistent and standardized reporting of derivative exposures. Improved transparency and engagement with data providers will support more accurate measurement of portfolio exposures, particularly where derivatives materially affect a fund’s asset mix or risk–return profile.

3. Methodology, Data Governance, and Transparency

Feedback:

Stakeholders supported the objective of establishing more transparent, clearly defined, and consistently applied categorization rules. However, concerns were raised regarding the lack of detailed guidance on data sources, validation processes, and governance mechanisms required to support a fully rules-based framework.

Committee Response:

The Committee agrees that a rules-based framework requires a high degree of methodological clarity and robust data governance. Stakeholder feedback indicates that additional guidance is required regarding data sourcing, validation, and the consistent application of classification rules across providers. This work will be incorporated into future development of the framework, including the preparation of a preliminary movers list and an assessment of expected category changes based on historical movements.

4. Classification of Private Equity and Private Credit

Feedback:

Stakeholders generally supported the classification of private equity and private credit within equity and fixed income, respectively, as aligned with their role in portfolio construction. However, concerns were raised regarding data availability, lack of standardized classification across data providers, and differences in liquidity and risk characteristics compared to public market assets.

Committee Response:

The Committee acknowledges both the support for and concerns regarding the treatment of private assets. While the proposed classification aligns with how these assets are increasingly used in portfolio construction, consistent implementation requires clearer guidance, improved data availability, and further consideration of differences in valuation, liquidity, and risk characteristics relative to public market assets.

This area will be further reviewed, including consideration of classification standards, data sourcing, and the treatment of hybrid or blended structures.

5. Treatment of “Other” in Total Assets

Feedback:

Stakeholders raised concerns that excluding “Other” assets from total assets may distort measured equity and fixed income exposures and introduce unintended constraints or inconsistencies in classification.

Committee Response:

The Committee acknowledges that the treatment of “Other” assets has a meaningful impact on measured exposures and category classification. Feedback in this area highlights the need to reassess whether current definitions appropriately reflect the evolving use of alternative assets in balanced portfolios.

This issue will be considered as part of the Committee’s broader review of asset classification methodology.

6. Reclassification Risk and Category Stability

Feedback:

Stakeholders acknowledged the objective of improving category stability and reducing reliance on discretionary classification practices. However, concerns were raised that the proposed changes may not fully reduce the risk of unintended or frequent reclassifications in practice.

Committee Response:

The Committee agrees that category stability is a key metric considered under any proposal. Stakeholder feedback indicates that further analysis is required to assess reclassification patterns and potential behavioural responses to revised thresholds to ensure that this objective is achieved in practice.

7. Implementation Considerations and Operational Impact

Feedback:

Stakeholders recognized the intent of improving the classification framework through multiple proposed changes; however, concerns were raised regarding the operational and implementation burden associated with the cumulative proposed changes.

Committee Response:

The Committee acknowledges the importance of implementation feasibility and industry capacity. Feedback indicates that the proposed changes would require significant operational effort, and that timing and transition planning are critical considerations. These factors will be incorporated into the development and timing of any future proposal.

8. Alternative Frameworks and Industry Alignment

Feedback:

Some stakeholders expressed support for alternative approaches to structuring the balanced categories, including a five-category framework aligned with investor risk profiles and existing industry practices. These approaches were viewed as potentially better aligned with how balanced products are positioned and used within dealer platforms and suitability frameworks.

Committee Response:

The Committee acknowledges that alternative frameworks may offer benefits in aligning category structures with investor profiling and product positioning. The proposal focused on maintaining an asset-based classification approach consistent with the broader CIFSC framework; however, stakeholder feedback highlights the importance of considering how category structures interact with industry practices.

The Committee will take this perspective into account as part of future analysis.

Conclusion

The Committee remains committed to enhancing the clarity, consistency, and relevance of the CIFSC category framework. Stakeholders were broadly supportive of aspects of the direction of the proposal, particularly in improving comparability and reducing reliance on discretionary practices. The feedback received through this consultation has provided valuable insight into both the strengths of the proposed direction and areas requiring further development.

At this time, the Committee has determined that proceeding with the proposal would not achieve the intended objectives in a sufficiently robust or consistent manner.

The Committee will undertake additional analysis and continue its review of the balanced category framework through industry engagement. This work will include distinct



consideration of the classification of alternative assets, while the proposed approach to derivatives will not be advanced.

This consultation has been highly constructive. While the proposal will not proceed at this time, the feedback received materially advances the Committee's work and will directly influence the next phase of development.

The CIFSC thanks all stakeholders for their engagement and looks forward to continued collaboration in the development of a strengthened and more effective classification framework.

For any questions or further information, please submit an inquiry through [the CIFSC contact form](#).

John Krisko, CFA

Chair - Canadian Investment Funds Standards Committee
Vice President, Investment Analytics | Fundata Canada Inc.
john.krisko@fundata.com

Michael Dobson, CFA

Vice Chair - Canadian Investment Funds Standards Committee
Manager Research Analyst, Canada | Morningstar Research Inc.
Michael.Dobson@morningstar.com